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REPLY TO
ATTENTION OF

EXCEPTION
DEPARTMENT OF THE ARMY
RESERVE ARMY LEGAL SERVICES AGENCY
11 NORTH STUART STREET
ARLINGTON, VA 22203-1837

ORIGINAL

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1999 NOV -4 A 11: 16

BEFORE THE ARIZONA CORPORATION COMMISSION

AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF) DOCKET NO. E-01933A-98-0471
TUCSON ELECTRIC POWER COMPANY FOR)
APPROVAL OF ITS STRANDED COST RECOVERY)
AND FOR RELATED APPROVALS,)
AUTHORIZATIONS AND WAIVERS.)
IN THE MATTER OF THE FILING OF TUCSON) DOCKET NO. E-01933A-97-0772
ELECTRIC POWER COMPANY OF UNBUNDLED)
TARIFFS PURSUANT TO A.A.C. R14-1602 et seq.)
IN THE MATTER OF THE COMPETITION IN THE) DOCKET NO. RE-00000C-94-0165
PROVISION OF ELECTRIC SERVICES)
THROUGHOUT THE STATE OF ARIZONA.)

NOTICE OF FILING

Enclosed for filing are an original and ten(10) copies of the Exceptions of the Department of Defense ("DOD") to the Proposed Order and Opinion of October 26, 1999 in the Above-Referenced Matter on behalf of the United States Department of Defense and All Other Federal Executive Agencies, in the above referenced proceeding.

Copies have been served on all known parties in accordance with the enclosed Service List.

Respectfully submitted this 3rd day of November, 1999.

Sincerely,

PETER Q. NYCE, JR.
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Arizona Corporation Commission
DOCKETED

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DOCKETED BY

Enclosure

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION) DOCKET NO. E-01933A-98-0471
OF TUCSON ELECTRIC POWER COMPANY FOR)
APPROVAL OF ITS STRANDED COST RECOVERY)
AND FOR RELATED APPROVALS,)
AUTHORIZATIONS AND WAIVERS.)
IN THE MATTER OF THE FILING OF TUCSON) DOCKET NO. E-01933A-97-0772
ELECTRIC POWER COMPANY OF UNBUNDLED)
TARIFFS PURSUANT TO A.A.C. R14-1602 et seq.)
IN THE MATTER OF THE COMPETITION IN THE) DOCKET NO. RE-00000C-94-0165
PROVISION OF ELECTRIC SERVICES)
THROUGHOUT THE STATE OF ARIZONA.)

Exceptions of the Department of Defense ("DOD") to the Proposed Order and Opinion of
October 26, 1999 in the Above-Referenced Matter

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by

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For

THE DEPARTMENT OF DEFENSE
And
ALL OTHER FEDERAL EXECUTIVE AGENCIES

Dated: November 3, 1999

BEFORE THE ARIZONA CORPORATION COMMISSION
Tucson Electric Power Company ("TEP") – Settlement Agreement
Docket Nos. E-01933-98-0471, E-01933-97-0772 and RE-00000C-94-0165

Exceptions of the Department of Defense ("DOD") to the Proposed Order and Opinion of October 26,
1999 on the Above-Referenced Matter

The DOD provides the following exceptions and/or recommended changes to the proposed Order and Opinion:

- 1) Page 3 at Line 16: Replace "the Department of Navy" with "the Department of Army"
- 2) Page 9 at Line 10 ½: After "...our Decision herein", insert the following sentence: "The amount of stranded costs to be collected from contract customers shall be measured against the \$119 million of stranded costs assignable to these customers"
- 3) Page 9 at Line 13 ½: "...Floating CTC for both direct access and bundled rate customers. Further, the report shall provide the amount of stranded costs collected from contract and non-contract customers."
- 4) Page 19 at Line 25, Replace Finding of Fact No. 23 with "TEP estimated it has stranded costs of approximately \$683 million -- \$564 million assignable to non-contract customers and \$119 million assignable to contract customers."
- 5) Page 20 at Line 2, Replace Finding of Fact No. 26 with "The Fixed CTC for non-contract customers will terminate after \$372 million has been collected or on December 31, 2008, whichever occurs first. The Fixed CTC for contract customers will terminate after \$78 million has been collected or on December 31, 2008, whichever occurs first."
- 6) Page 22 at Line 16: After "...our Decision herein.", insert the following sentence: "The amount of stranded costs to be collected from contract customers shall be measured against the \$119 million of stranded costs assignable to these customers"
- 7) Page 22 at Line 20 add: "IT IS FURTHER ORDERED that Tucson Electric Power Company shall file a quarterly report with the Director of the Utilities Division setting forth the amount of stranded costs collected for each quarter as well as the cumulative amount, and it should be separated into amounts collected from the Fixed and the Floating CTC for both direct access and bundled rate customers. Further, the report shall provide the amount of stranded costs collected from contract and non-contract customers."

Rationale

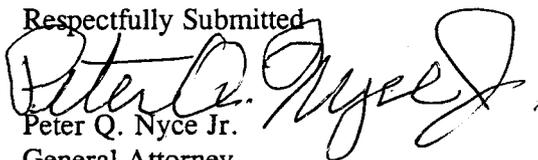
Paragraph 1) corrects the Agency of the Department of Defense that appeared and sponsored the DOD's appearance and testimony in this matter.

No party rebutted DOD's allocation to the contract class of \$119 million in stranded costs out of Tucson Electric Power's (TEP) total estimated stranded costs \$683 million. TEP did not know how much was currently being collected from contract customers. Accordingly paragraphs 2) through 7) are proposed to give some context to the concerns expressed in the proposed Order commencing on page 7 in the "Allocation of Stranded Cost" discussion. It is the position of the DOD that these changes are necessary to assure that non-contract customers are not paying the stranded costs of contract customers.

Conclusion

Wherefore, the DOD urges the Commission, after due consideration, to adopt the changes proposed herein and issue its order incorporating them.

Respectfully Submitted



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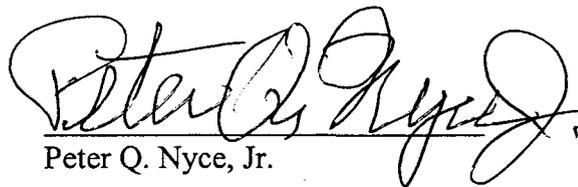
And

ALL OTHER FEDERAL EXECUTIVE AGENCIES

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing documents filed on behalf of the Department of Defense and All Other Federal Executive Agencies, have been served on all known parties by sending a copy by either Federal Express or by regular U.S. Mail delivery to those on the "Service List" attached hereto.

Executed November 3, 1999, at Arlington Virginia.



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